

**MINUTES OF THE
SALES AND USE TAX WORKING GROUP
TAX REFORM TASK FORCE**

Wednesday, August 10, 2005 – 8:00 a.m. – Room W010 House Building

Working Group Members Present:

Pres. John L. Valentine, Senate Chair
Rep. Wayne A. Harper, House Chair
Rep. Todd E. Kiser
Comm. Pam R. Hendrickson

Members Absent:

Rep. Ralph Becker

Other Task Force Members Present:

Rep. Rosalind J. McGee
Rep. Gordon E. Snow

Staff Present:

Ms. Rebecca L. Rockwell, Associate General Counsel
Mr. Leif G. Elder, Research Assistant
Ms. Phalin L. Flowers, Legislative Secretary

Note: A list of others present, copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Working Group Business

Chair Valentine called the meeting to order at 8:13 a.m.

2. State and Local Sales and Use Tax Base, Rates, and Exemptions

Ms. Rockwell discussed "Grocery Tax Credit: Sales Tax Refund Examples from Other States." She explained the amounts of grocery tax credits offered in several other states, as well as income eligibility levels and other requirements.

Mr. Douglas Macdonald, Chief Economist, Utah State Tax Commission, distributed and discussed "Business Inputs in Primary Industries: A Comparison of SIC with NAICS."

Comm. Hendrickson explained her original proposal of exempting a broad range of business inputs and services, and explained that the revenue loss was too great.

Ms. Leslee Katayama, Senior Economist, Utah State Tax Commission, discussed "Business Inputs in Primary Industries: A Comparison of SIC with NAICS." She discussed estimates on how much revenue would be lost if there was an exemption for business inputs with a 1 year life or greater, a 3 year life or greater, and an exemption for all business inputs excluding support and administration.

The Working Group discussed a proposal to enact an individual income tax credit to compensate for sales and use taxes paid on grocery items. As part of this discussion, the Working Group discussed whether a residency requirement should apply as a criterion for claiming the credit.

Ms. Linda Hilton, Coalition of Religious Communities, commented that some low-income citizens may not be able to claim the credit if a residency requirement is imposed because they may be living in homeless or domestic abuse shelters or rehabilitation centers and would have a hard time proving residency.

Ms. Lynn Solarczyk, Utah State Tax Commission, distributed and discussed "Confusing or Inconsistent Issues in Sales Tax." She explained the document and discussed options for addressing the issues raised by the Utah State Tax Commission. The Working Group discussed these options.

Mr. Elder distributed and discussed "6.25% Uniform Sales and Use Tax Rate," "Change in Property Tax Comparison with 6.25% Statewide Sales and Use Tax," "Option A: 6.25% Statewide Sales and Use Tax," and "Option B: 6.25% Statewide Sales and Use Tax." He explained two options for establishing a statewide uniform sales and use tax rate. He also discussed several other proposals made by Rep. Harper.

Mr. Roger Tew and Mr. Lincoln Shurtz, Utah League of Cities and Towns, spoke to the Working Group concerning a single statewide sales and use tax rate. They discussed challenges in implementing a single statewide sales and use tax rate, but expressed a willingness to work with the Legislature on this issue.

3. Other Items / Adjourn

MOTION: Rep. McGee moved to adjourn the meeting. The motion passed unanimously with Pres. Valentine and Rep. Snow absent for the vote.

Chair Harper adjourned the meeting at 9:59 a.m.